

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Product name: Sequoia Infrastructure Debt Fund

Legal entity identifier: N/A

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective:** ____%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective:** ____%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The Sequoia Infrastructure Debt Fund ("SIDF", the "Fund") incorporates the three following criteria in the selection of underlying assets for its portfolio:

1. Negative Screening
2. Thematic Investing (Positive Screening)
3. ESG Scoring

Deriving from the above criteria, the Fund seeks to promote specific environmental characteristics by applying the following:

1. excluding certain positions determined to cause negative or adverse environmental impact based on negative screening;

2. assessing the underlying asset's capability to contribute towards determined positive ESG themes; and
3. making investment decisions that can increase the portfolio's overall weighted average ESG score.

The Fund's investment policy precludes investing in companies with a very low E score (<1), irrespective of the overall ESG score.

The ESG principles are applied to the portfolio in order to meet our three ESG goals:

1. Strictly comply with Negative Screening criteria

The Fund's investment policy excludes the following asset types or sub-sectors:

- Infrastructure related to the exploration and production of oil and gas, such as oil rigs and platforms, fracking facilities and facilities involved in tar sands*
- Infrastructure related to mining thermal coal
- Electricity generation from coal
- Military infrastructure, such as military housing
- Alcohol, gambling, tobacco and pornography

*Please note that midstream assets involving the transportation, storage, and wholesale marketing of crude oil and gas such as pipelines are not automatically excluded but are subject to the ESG scoring criteria as set out below in (3).

2. Progress Thematic Investing (Positive Screening)

Currently, SIDF has three ESG investment themes. Positive screening will be employed to increase the Fund's exposure to these investment themes, subject to existing concentration limits.

- Renewable energy, such as solar, wind and geothermal generation, and directly related businesses including renewable energy suppliers.
- Enabling the transition to a lower carbon world, such as grid stabilization, electric vehicles, traffic congestion reduction and the substitution of coal for gas.
- Infrastructure with social benefits, which provides for basic human needs (such as clean water and food security) or brings a positive change by addressing social challenges and inequalities (such as healthcare, education, and affordable housing) or by advancing society as a whole (such as progressing telecommunications).

3. Over time, increase portfolio weighted average ESG Score

Investment decisions follow the Fund's proprietary ESG scoring methodology ("ESG Scorecard") which measures the ESG characteristics of every investment, with a particular weighting towards environmental indicators.

Following an assessment, a score is assigned to every investment, with regular subsequent monitoring of ESG performance and credentials and a semi-annual review of the score. The ESG Scorecard is used to measure various sustainability metrics for each investment, including:

- Environment indicators and modifiers, such as: exposure to particular sectors and sub-sectors (e.g. as solar, wind, hydro, energy transition assets, biofuels, aircrafts, nuclear energy generation), air pollution, water pollution;
- Social indicators, such as: job creation in socially deprived areas, paying living wage, and engagement with local communities; and

- Governance indicators, such as: independent board members, effective diversity policies, independent oversight.

The ESG Scorecard enables Sequoia to allocate capital between projects and to measure its progress over time quantitatively. Sequoia's proprietary ESG scoring methodology has been designed to be as objective as possible. The score primarily reflects the current ESG performance of the investment but also reflects, to a limited extent, the "direction of travel". For example, a business that currently contributes to climate change will receive some credit if it is investing meaningfully to reduce its contribution; the timeframe of such initiatives and amount being invested is judged on a materiality basis specific to the company.

The methodology blends the environmental, social, and governance ("E", "S" and "G") components without allowing strength in one area to offset entirely weakness in another. For example, a polluting company will be allocated a poor score, even if it has excellent social and governance policies. Moreover, the Fund's policy is not to lend to companies with a very low E score, of less than one, regardless of the overall ESG score.

Note that the ESG score is distinct to a credit rating. Some elements of ESG scoring will directly affect a borrower's credit rating (for example, weak corporate governance has a negative contribution to credit quality) but nonetheless it is entirely possible for a business with a weak ESG score to have a strong credit profile, and vice versa. The risk of climate litigation and/or state sanctions would be considered in the credit rating and/or ESG scoring processes if this is a material risk to the company.

Applying the ESG Scorecard throughout the investment process, Sequoia will prioritise transactions with higher ESG scores. When considering the potential disposal of investments, Sequoia will prioritise transactions with lower ESG scores, whilst taking disposal decisions based on financial metrics. By investing in higher scoring opportunities, and disposing of lower-scoring opportunities, the aim is to improve the ESG score of our loan book over time. Albeit there will naturally be fluctuations in the portfolio ESG score over time rather than a monotonically increasing ESG score. It should be noted that the Fund is of very small size with a low number of investments, meaning the weighted averaged ESG Score can be heavily skewed by each individual investment. Additionally, the Fund is not currently fundraising so can only recycle and redeploy capital. Given these two factors, this goal may prove difficult to deliver on.

Sequoia's approach to ESG is maintained on a continuous basis from pre-acquisition stage, through engagement with borrowers to assess their continued performance. The Investment Adviser, Sequoia Investment Management Company, may require borrowers to include particular ESG-related KPIs in the loan documentation to meet determined targets and to report on these periodically. As part of the investment process, and in line with the ESG Scorecard, the Investment Adviser puts an emphasis on the demonstration of strong governance during the due diligence process.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental characteristics promoted by this financial product are:

- the percentage of the portfolio that complied with negative screening over the course of the financial year;

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- the percentage of the portfolio covered by thematic investing as at financial year end; and
- the portfolio's weighted average ESG score as at financial year end.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Sequoia Infrastructure Debt Fund does not commit to make 'sustainable investments' within the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) or the definition set out by the EU Taxonomy.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Sequoia Infrastructure Debt Fund does not commit to make 'sustainable investments' within the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) or the definition set out by the EU Taxonomy.

— *How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A

— *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises have not been formally embedded into the Fund's investment process, but the negative screening and ESG Scorecards should go some way in excluding companies that might be in breach of international norms described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Fund will ensure that all companies are compliant with minimum human rights and labor standards.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

☐ Yes, _____

☒ No

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

SIDF does not consider the principal adverse impacts (PAIs) of its investment on sustainability factors.

SIDF does not commit to make 'sustainable investments' per the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) and, as such, does not calculate or report the principal adverse impact (PAI) indicators for the Fund.

Nonetheless, the Fund recognises the importance of considering PAIs and is taking reasonable steps on making progress in the measurement of these metrics at the fund level. The Fund's ability to measure and thus consider the adverse impacts is highly dependent on the availability and accuracy of data. We request relevant data from our investee companies upon origination and annually thereafter and embed covenants into loans, where possible, to mandate the provision of certain datapoints.

However, we invest predominantly in private debt with a skew towards smaller and mid-sized companies. Given the asset class and nature of our investments, the collection and reporting of PAI data at our investee companies are limited.

The integration of PAIs is further impaired by the current absence of reliable benchmarks or external data sources that could be used to reliably generate estimated data specific to our portfolio to comply with the PAI technical reporting requirements.

We cannot yet commit to a date by which we will be able to adequately consider such PAIs.



What investment strategy does this financial product follow?

The Fund seeks to promote specific environmental characteristics by applying the following principles:

1. excluding certain positions determined to cause negative or adverse environmental impact based on negative screening;
2. assessing the underlying asset's capability to contribute towards determined positive ESG themes; and
3. making investment decisions that can increase the portfolio's overall weighted average ESG score.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Investment Objective

The investment objective is to acquire European economic debt exposures across a diversified range of jurisdictions, sectors, and sub-sectors for the purpose of providing investors with long-term distributions.

Investment Criteria:

- Loans, bonds and notes

- Minimum 70% senior-ranking / maximum 30% subordinated
- Internal ratings only. Minimum 70% investment grade
- Fixed or floating rate debt
- Euro-denominated assets only
- ESG investment criteria apply

Jurisdictions: 100% in core European jurisdictions.

Country caps:

- 40% each Germany and France
- 25% each The Netherlands, Republic of Ireland
- 20 % Spain
- 15% each Denmark, Sweden, Norway, Belgium, and Finland
- 10% other countries including Italy
- 25% Spain & Italy combined

Sectors:

Diversified portfolio across sectors: Transportation, Utility, Power, Telecommunications and Data Centres , Renewables (20% max), Social (15% max), other related sectors that exhibit infrastructure characteristics.

UN PRI

In May 2019, the Fund's Investment Adviser signed up to the UN PRI. This proponent promotes six high-level principles, which are fully incorporated into the Fund's investment processes and decisions.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

As part of the preliminary review stage of the investment process, SIDF will apply the principles in our ESG policy. Each potential new investment is screened through the negative and thematic screenings and its E Score (or estimated ESG score) is assessed in the context of the Fund's Existing Portfolio and current investment objectives. Only then is the potential investment admitted to the next stage of the investment process, which is full credit analysis and documentation. Each asset's compatibility with our ESG policy is further assessed as part of the macro review we conduct under our due diligence procedures.

The investment screens are applied to new investments and a retrospective review of the Existing Portfolio is underway. Once this is completed, low-scoring investments (or any investments that would not pass the negative screening process) will either be disposed of or put into a run-off portfolio.

The Fund has implemented a comprehensive programme establishing and incorporating broad ESG considerations into its approach to its investment review process. The Fund's current ESG policy comprises the following guidelines:

Guidelines	Considerations
Alignment with community goals	<ul style="list-style-type: none"> • Health & safety of residents: pollution & noise

	<ul style="list-style-type: none"> • Historical and cultural elements preservation and project's visual impact
Commitment to sustainability goals	<ul style="list-style-type: none"> • Counterparties' commitment to sustainability, including an adequate maintenance plan • Other indicators of commitment to sustainability
Efficient use of resources	<ul style="list-style-type: none"> • Materials recycling, reduction of energy & water consumption and limitation on use of landfills • Alternative water sources usage and consumption of renewable energy
Reduced environmental footprint	<ul style="list-style-type: none"> • Emissions of greenhouse gasses and air pollutants • Usage of environmentally friendly and biodegradable materials • Use of farmland and natural buffer zones
Sustainable economic development	<ul style="list-style-type: none"> • Job creation and workforce skills development • Support of local, social and business community

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Sequoia Infrastructure Debt Fund does not commit to a minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

● ***What is the policy to assess good governance practices of the investee companies?***

As part of our investment due diligence process, corporate governance is assessed prior to investment on a case-by-case basis, meaning no designated benchmark is used. During the legal due diligence, we pay close attention to how our borrower is managed, assessing for example any JV agreements, how the board is elected, voting rights, majority requirements etc. In addition to KYC, this due diligence process will also highlight anything in the histories of key members of management, past bankruptcies, or lack of compliance with law.

Additionally, every company's ESG performance is assessed using our proprietary ESG scoring methodology, which includes a modifier of between +1 and -1 reflecting the borrower's corporate governance (the "G score").

Governance is monitored on an ongoing basis, for instance through our annual post-investment ESG questionnaire that is sent to all borrowers. This includes questions related to areas such as board independence, management structure and diversity, the internal audit function, remuneration of staff, and community relations. Any changes to the governance are reflected in updates to the company's ESG score, which could provide a source for engagement.

SIDF's ESG policy includes a range of possible engagement strategies designed to encourage and promote positive behaviour in the companies that it lends to. Where appropriate, loan terms should include covenants or repeated representations to ensure that the borrower complies with its stated ESG objectives and to encourage it to improve its standards over time. These could include obligations to adopt or continue good governance policies.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

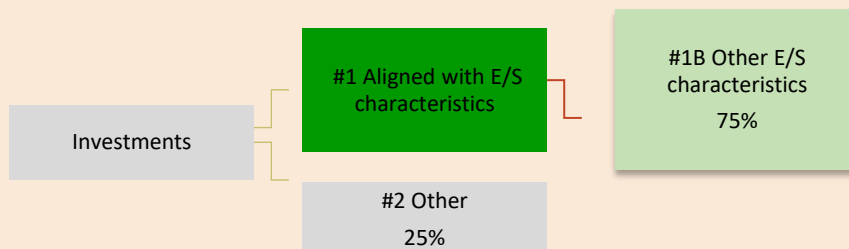


Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

SIDF is an investment grade closed-ended fund that invests primarily in senior infrastructure debt in the European markets. The detailed asset allocation limits to which the Fund adheres are set out in its investment objective and policy in the Fund's prospectus.

Sequoia Infrastructure Debt Fund does not commit to a minimum proportion of investments of the financial product used to meet environmental or social characteristics promoted by the Fund in accordance with the binding elements of the investment strategy. Whilst 100% of assets will undergo the ESG process described in its ESG Policy, SIDF considers the investments that fall in the lowest quartile of the portfolio's ESG scores not to be aligned with the promotion of environmental characteristics. As of 31 March 2022, this equated to 25% of the NAV and sits in “#2 Other”. In pursuit of our goal to raise



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

the average ESG score of our portfolio, the lowest ESG scored positions will be looked to as a priority when considering disposals, whilst taking disposal decisions based on financial metrics. The remaining 75% of NAV is considered as “#1B Other E/S characteristics”.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Sequoia Infrastructure Debt Fund does not use hedges or derivatives for investment purposes. As the fund only invests in EUR assets, there is no requirement for FX Forwards (or any other derivatives products) to hedge against currency exposure. This therefore does not affect the environmental or social characteristics promoted by this financial product.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Sequoia Infrastructure Debt Fund does not commit to a minimum extent of ‘sustainable investments’ with an environmental objective aligned with the EU Taxonomy nor does it measure or track this.


Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- ☐ Yes:

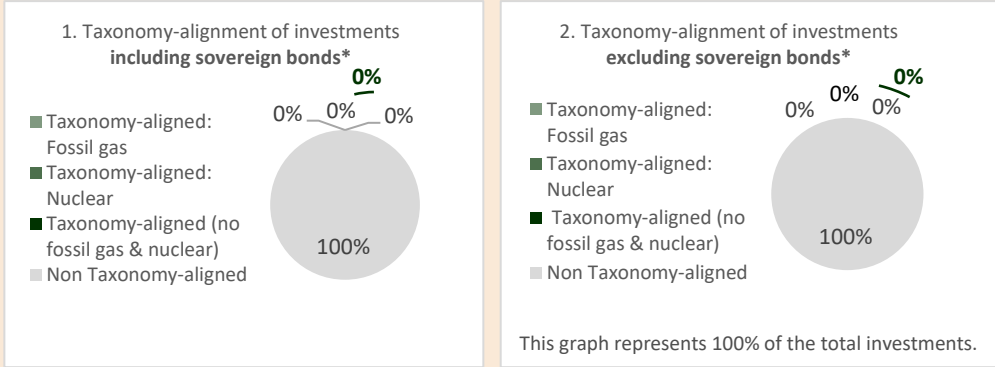
☐ In fossil gas
☐ In nuclear energy
- ☒ No

Whilst the financial products makes investments related to fossil gas and nuclear energy, Sequoia Infrastructure Debt Fund does not measure or track investments in activities that comply with the EU Taxonomy.

● **What is the minimum share of investments in transitional and enabling activities?**

Sequoia Infrastructure Debt Fund does not commit to a minimum share of investments in ‘transitional’ and ‘enabling’ activities as per the definition under the EU Taxonomy nor does it measure or track this.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Sequoia Infrastructure Debt Fund does not commit to a minimum share of ‘sustainable investments’ with an environmental objective that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Sequoia Infrastructure Debt Fund does not commit to a minimum share of 'socially sustainable investments'.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “#2 Other” investments includes the lowest quartile of ESG scores, which represented 25% of the SIDF portfolio by NAV as at 31 March 2022. When considering disposals, we will look at the lower-scoring assets as a priority, whilst taking disposal decisions based on financial metrics. The Fund aims to increase the portfolio’s average ESG score over time, whilst anticipating natural fluctuations.

It should be noted that the Fund is of very small size with a low number of investments, meaning the weighted averaged ESG Score can be heavily skewed by each individual investment. Additionally, the Fund is not currently fundraising so can only recycle and redeploy capital. Given these two factors, this goal may prove difficult to deliver on.

The Fund will invest across different sectors and sub-sectors as part of diversification. Naturally, certain sectors and sub-sectors are more aligned with environmental characteristics than others, as a result there will always be a spread in ESG scores within the portfolio.

We cannot reliably measure compliance with minimum environmental or social safeguards, as we lack the data and evidence to do so since many of our investee companies lack the sufficient resources and/or capabilities to be able to ensure compliance with minimum safeguards throughout their value chains.

Nonetheless, all assets undergo our three-part process of negative screening, thematic investing (positive screening), and ESG scoring, as described the Fund’s ESG Policy. This means that assets not meeting the Fund’s Investment Criteria and negative screening criteria will be excluded, thus making an investment in an asset not meeting minimum environmental or social safeguards unlikely.

Furthermore, where appropriate, loan terms will include covenants or repeated representations to ensure that the borrower complies with its stated ESG objectives and to encourage it to improve its standards over time. These could include obligations to meet minimum environmental safeguards.

We also engage with borrowers on ESG matters as part of our ongoing monitoring process. For example, we send an annual ESG questionnaire to all borrowers, which includes questions related to the maintenance of minimum safeguards.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Sequoia Infrastructure Debt Fund does not use a specific index designated as a reference benchmark to determine whether the product is aligned with the environmental and/or social characteristics it promotes.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:
www.seqimco.com/funds/sequoia-infrastructure-debt-fund/